

Message Text

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ORIGIN OPIC-12

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DRAFTED BY OPIC/ IC: WADAMS; ARA/ CEN/ ES: AKSLEGHT

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P 042243 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY SAN SALVADOR PRIORITY

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E. O.11652: N/ A

TAGS: ETRN, EIND, ES, US

SUBJECT: IRCA; SALE OF GM LOCOMOTIVES

1. GM OFFICIALS H. C. WITTHAUS AND DAVID LORING CALLED ON DEPT AND OPIC MAY 2 TO DISCUSS CURRENT STATUS OF COMPANY'S OFFER TO SELL LOCOMOTIVES TO GOES. GM HAS EXTENDED ITS EXCLUSIVE PURCHASE OPTION TO THE GOES THROUGH MAY 25, AND COMPANY OFFICIALS WILL COME TO EL SALVADOR TO MEET WITH INTERMINISTERIAL COMMISSION AND NEGOTIATE POSSIBLE SALE THE WEEK OF MAY 21. GM OFFICIALS WOULD LIKE OPPORTUNITY TO MEET WITH AMBASSADOR PRIOR TO OPENING OF NEGOTIATIONS. COMPANY'S LOCAL LAWYER, DR. ALFREDO ORTIZ MANCIA, WILL BE IN TOUCH WITH EMBASSY TO ARRANGE DETAILS OF THIS MEETING. GM REPS ALSO SAID THEY MAY WISH TO USE EMBASSY CHANNELS TO CONTACT OPIC DURING NEGOTIATIONS SINCE OPIC REP WILL PROBABLY NOT BE PRESENT DURING TALKS.

2. GM REPS SAID THEY WERE PLEASED BY INDICATIONS GOES
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SERIOUSLY INTERESTED IN PURCHASING LOCOMOTIVES, AND SAID THEY EXPECTED FOR THE COMING NEGOTIATIONS TO TAKE PLACE IN AN ATMOSPHERE OF GOOD FAITH. GM PREFERENCE IS FOR SALE TO GOES, OR, FAILING THIS, FOR SALE TO OTHER SALVADORAN INTERESTS. GM WOULD CONSIDER REPOSSESSION OF LOCOMOTIVES AND SALE TO PURCHASERS OUTSIDE EL SALVADOR ONLY AS LAST RESORT, ALTHOUGH COMPANY REPS MADE CLEAR THEY HAD REACHED POINT AT WHICH THIS POSSIBILITY WOULD BE PURSUED IF OTHER ALTERNATIVES FAIL. IN THE MEANTIME, GM AGREED NOT TO TAKE ANY DRASTIC ACTION REGARDING REPOSSESSION AND REMOVAL OF LOCOMOTIVES FROM EL SALVADOR WITHOUT FIRST CONTACTING OPIC. GM DOES PLAN, HOWEVER, TO ADVERTISE SALE OF LOCOMOTIVES, WITHOUT SPECIFYING CURRENT LOCATION OR OWNERSHIP OF EQUIPMENT, IN FOUR LEADING INTERNATIONAL RAILROAD JOURNALS THIS MONTH AND NEXT MONTH. FYI COMPANY IS GATHERING INFORMATION ON MARKET VALUE OF LOCOMOTIVES, AND HAS HAD FEELERS FROM ONE OR TWO PROSPECTIVE PURCHASERS FOR SOME OF THE LOCOMOTIVES END FYI

3. GM FEELS THAT THE TWO MAIN POTENTIAL OBSTACLES TO NEGOTIATIONS ARE A) PRICE AND B) CONDITION OF THE LOCOMOTIVES AT TIME OF SALE. COPIES OF GM'S PROPOSED SALES AGREEMENT AND OTHER RELEVANT DOCUMENTS GIVEN TO US BEING POUCHED. SALES AGREEMENT IS STILL TENTATIVE AND SUBJECT TO MODIFICATION, AND SHOULD NOT BE GIVEN TO GOES.

4. OPIC ASKED GM TO INVESTIGATE LEGAL REMEDIES AVAILABLE TO GM UNDER LOCAL LAW IF SALE IS NOT CONSUMATED AND GOES PREVENTS GM FROM REMOVING LOCOMOTIVES FROM COUNTRY. REASONABLE PURSUIT OF SUCH REMEDIES BY GM MIGHT BE REQUIRED BY OPIC BEFORE PAYMENT OF EXPROPRIATION CLAIM UNDER GM'S INSURANCE CONTRACT.

5. OPIC BELIEVES GM HAS LITTLE NEGOTIATING LEVERAGE IN ARGUING THAT IF GOES DOES NOT BUY LOCOMOTIVES GM WILL REMOVE ALL OF THEM FROM EL SALVADOR, SINCE FOR POLITICAL AND ECONOMIC REASONS GOES WOULD PROBABLY BE RELUCTANT TO LET ALL THE LOCOMOTIVES LEAVE THE COUNTRY. OPIC SUGGESTED THAT IF NEGOTIATIONS BOG DOWN, GM MIGHT WISH TO CONSIDER PROPOSING THAT SOME, BUT NOT ALL OF THE LOCOMOTIVES BE REMOVED FROM THE COUNTRY FOR SALE TO OTHER LIMITED OFFICIAL USE

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PURCHASERS IF ALL THE LOCOMOTIVES WERE NOT IN FACT NEEDED IN COUNTRY. THIS COURSE OF ACTION WOULD HAVE THE ADVANTAGE OF ESTABLISHING, BY ACTUAL SALE, THE MARKET VALUE OF THE LOCOMOTIVES, AND AT THE SAME TIME WOULD NOT FACE THE GOES WITH AN ALL OR NOTHING PROPOSITION. OPIC WOULD LIKE TO KNOW WHETHER ALL LOCOMOTIVES ARE BEING FULLY UTILIZED AT PRESENT, OR WHETHER THE COUNTRY'S NEEDS COULD BE MET

ECONOMICALLY WITH LESS THAN 16 LOCOMOTIVES. PLEASE CABLE
US AND PROVIDE GM ANY INFORMATION EMBASSY CAN DEVELOP ON
THIS POINT.

6. WILL APPRECIATE ANY INFORMATION EMBASSY CAN DEVELOP
REGARDING LIKELY GOES POSITION IN NEGOTIATIONS.

DECONTROL 5/4/74 RUSH

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